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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Southwestern Bell Telephone Company, Pacific Bell and Nevada Bell Petition for Relief from Regulation Pursuant to Section 706 of the Telecommunications Act of 1996 and 47 U.S.C. § 160 for ADSL Infrastructure and Service	)	CC Docket No. 98-91

OPPOSITION OF MCI TELECOMMUNICATIONS CORPORATION

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Dated: June 24, 1998

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EXECUTIVE SUMMARY

MCI strongly urges the Commission to promptly deny the SBC LECs' request seeking forbearance from enforcement of the major procompetitive provisions of the Telecommunications Act of 1996 (Act) that require nondiscriminatory access to unbundled network elements (UNEs), cost-based rates for unbundled network elements, and resale of telecommunications services by incumbent local exchange carriers (ILECs). Southwestern Bell Telephone Company Telephone Company, Pacific Bell, and Nevada Bell (the SBC LECs) also want forbearance from the most-favored nation clause of the Act and dominant regulation. This would excuse them from satisfying their commitments and permit them to discriminate against CLECs. The SBC LECs essentially want to engage in the unregulated provision of digital subscriber lines (xDSL) and services requiring xDSL, while maintaining a monopoly on the local loop and the equipment necessary to provide xDSL services.

Contrary to the SBC LECs' view, in order to facilitate true competition in the advanced services market, competitors need nondiscriminatory access to unbundled xDSL-capable copper loops, equipment and subloops. The requirement that ILECs unbundle their local networks, including copper loops, operations support systems, switching elements, and network capabilities such as DSL modems, for nondiscriminatory access by competitive carriers and innovative users is a much better catalyst for local competition than granting a single monopoly provider regulatory carte blanche to exclude competitors from its broadband network, including the last mile.

Pursuant to the terms of section 251, and the Commission's order interconnection and local competition, carriers also need access as an unbundled network element to the connection

of the loop from the subscriber's premises to a Digital Loop Carrier (DLC) hub to allow interconnection with each requesting CLEC at DLC hubs. Absent such access and interconnection, MCI and other CLECs will not be able to provide xDSL service to a significant number of subscribers served by any given BOC end office. The assurance of nondiscriminatory access to xDSL-capable loops and equipment will mean both CLECs and ILECs can compete to deploy the digital subscriber line access multiplexer (DSLAM) and provide broadband services to a significant number of consumers served by end offices with DLC technology.

The SBC LECs and the other BOCs erroneously claim that the regulatory environment has deterred investment in access technologies such as xDSL. However, federal regulations have not slowed the deployment of high-speed broadband services. While the SBC LECs and the other BOCs claim regulatory forbearance will give them the necessary incentive to deploy innovative technologies and services, there is nothing stopping the ILECs from doing so now. Indeed, most of the ILECs have made announcements of investments and deployment in xDSL technology. xDSL technologies may be deployed without major up-front sunk costs by the ILECs, and therefore do not represent risky investments. The bottom line is that the SBC LECs seek to deploy innovative services only on their own terms, with the assurance that their investment will reap certain returns and that CLEC competitors will once again be forced to battle for access to the loop and thus, the customer.

Contrary to the SBC LECs' claim, section 706 is not an independent grant of forbearance authority. Any exercise of regulatory forbearance under section 706 must be consistent with the forbearance limitations contained in section 10 of the Act. Indeed, section 10(d) prohibits forbearance from the application of the requirements of sections 251 and 271 until they are fully implemented. In addition, the SBC LECs do not qualify for regulatory forbearance under section

10(a) because the local market is not sufficiently competitive to constrain any anticompetitive behavior by the SBC LECs. Continued enforcement of the requirements of section 251 is critical to prevent the SBC LECs from deterring competition.

In order to ensure the rapid deployment of advanced technologies, the Commission should focus on the procompetitive provisions in section 706. Importantly, section 706 authorizes the Commission to encourage deployment of advanced capabilities in a manner consistent with the public interest and utilize measures that promote competition in the local market. Such measures should include continued enforcement of section 251 and other Commission rules designed to facilitate opening ILEC networks to competitive providers.

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Southwestern Bell Telephone Company, Pacific Bell and Nevada Bell Petition for Relief from Regulation Pursuant to Section 706 of the Telecommunications Act of 1996 and 47 U.S.C. § 160 for ADSL Infrastructure and Service	)	CC Docket No. 98-81

OPPOSITION OF MCI TELECOMMUNICATIONS CORPORATION

MCI Telecommunications Corporation (MCI), pursuant to a Public Notice (DA 98-111) issued by the Federal Communications Commission (the Commission), hereby submits its comments in opposition to the above-referenced petition filed by Southwestern Bell Telephone Company, Pacific Bell and Nevada Bell (SBC LECs) seeking forbearance from the regulations mandated in section 251 of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the Act).[1] By their petition, the SBC LECs seek forbearance from the application of provisions of the Act that require unbundling, cost-based pricing and resale requirements so they may engage in the unregulated provision of asymmetrical digital subscriber lines (ADSL)[2] services throughout their respective regions. The SBC LECs also seek forbearance from dominant regulation, including the accounting safeguards and tariffing requirements, as well as the most-favored nation clause of the Act. As explained below, MCI

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[1] 47 U.S.C. § 251.

[2] xDSL is a family of digital subscriber line technologies that allow for the provision of broadband services over properly conditioned copper lines. ADSL, is being developed for mass market applications.

strongly urges the Commission to promptly deny all of the requests made by the SBC LECs.

I. INTRODUCTION

By their petition, the SBC LECs propose an approach to innovation that is directly opposite to those of Congress and the Commission, whereby affordable, nondiscriminatory interconnection and access to essential facilities is mandated for purposes of developing competition in the local market. Like the other BOC petitioners,[3] the SBC LECs are seeking regulatory forbearance that would allow them to control the terms and conditions of access to unbundled elements and equipment in their networks that are necessary for the efficient provision of broadband services.

If the Commission grants the SBC LECs' forbearance requests, however, they will be able to expand their bottleneck control over access to consumers — the local loop — to gain control over emerging advanced telecommunications services provided through the loop. Meaningful alternatives to the ILECs' local loop do not currently exist as a practical matter, and thus, the Commission must not allow them to buttress their monopoly of the local exchange networks through control of xDSL and other new network equipment and services. Technological advances occur quickly, but when there is just a single entity controlling deployment of the new technology, that entity has the incentive to proceed slowly if to do otherwise threatens its existing market power.

The SBC LECs would have regulators believe that the only way to get xDSL

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[3] See also, Petition of Ameritech Corporation to Remove Barriers to Investment in Advanced Telecommunications Capability, CC Docket No, 98-32 (filed March 5, 1998); Petition of Bell Atlantic Corporation for Relief from Barriers to Deployment of Advanced Telecommunications Services, CC Docket No. 98-11 (filed January 26, 1998); Petition of U S WEST Communications, Inc. for Relief to Deployment of Advanced Telecommunications Services, CC Docket No. 98-26 (filed February 25, 1998).

technologies into the local exchange network is to grant them regulatory forbearance that would reduce alleged risks associated with the investment. There is nothing preventing the SBC LECs from doing so now. Indeed, the ILECs have announced plans to deploy xDSL services.[4] ADSL, for example, has been around since 1989 and can be deployed without major up-front sunk costs by the ILECs. The bottom line is that the SBC LECs and the other petitioning BOCs seek to deploy innovative services only on their own terms.

Indeed, despite the SBC LECs' portrayal of themselves as reasonable ILECs committed to providing competitors with nondiscriminatory access, MCI's experience in trying to gain access to the unbundled local loop has been quite the contrary. While none of the BOCs have complied with the Act in a satisfactory manner, SBC makes it particularly hard for CLECs to enter the market.[5] However, section 251 is clear, ILECs must make access to UNEs and interconnection available on nondiscriminatory terms and at cost-based rates. The SBC LECs, by their petition, seek to circumvent these very critical requirements of the Act. Absent requirements under section 251 that ILECs provide cost-based access to loop and subloop

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[4] Communications Today, June 16, 1998 (SBC announced plans to make ADSL service available to approximately 4.4 million households and 650,000 business customers by the end of this year).

[5] In a hearing on SBC's 271 application, the Texas PUC observed that the record was "replete with examples of Southwestern Bell's failure to meaningfully negotiate, reluctance to implement the terms of the arbitrated agreements, lack of cooperation with customers and evidence of behavior which obstructs competitive entry." Hearing Transcript of the Texas Public Utility Commission, Project No. 16251, Investigation into Southwestern Bell Telephone Company's Entry into In-Region, InterLATA Service under Section 271 of the Telecommunications Act of 1996, Docket No. 19000 Relating to the Implementation of SWBT's Interconnection Agreements with AT&T and MCI, at 187, Lines 14-20. Texas PUC Commissioner Walsh therefore suggested that SBC implement concrete steps for changing the corporate culture (from the top of the organization downward through account representatives and repairmen) to treat CLECs as valued customers. Transcript at 195, Lines 6-24.

elements and xDSL equipment, competitors will be effectively precluded from competing and providing xDSL-based services. These services alone would help to distinguish the ILECs' services from the fledgling new entrants in the market. It would be a cruel hoax on the public if, in the name of promoting deployment of advanced capabilities, the ILECs were given new means by which to subvert competition.

II. THE ACT AND THE PUBLIC INTEREST REQUIRE CONTINUED PROTECTION AGAINST MISUSE OF THE SBC LECS' BOTTLENECK OVER LOCAL FACILITIES AND EQUIPMENT

The SBC LECs' petition is an attempt to obtain unlawful and unwarranted relief from the procompetitive provisions of the Act, particularly section 251. Rather than compete directly with CLECs, the SBC LECs want to extend their longstanding monopoly power over the last mile. Nothing in the SBC LECs' petition justifies such relief. The Commission should continue to enforce section 251's unbundling, pricing and resale requirements.

MCI wants to provide xDSL-based services to the maximum number of customers possible. To do so, we need a variety of options, ranging from providing service exclusively over our own facilities, to obtaining various network elements singly or in combinations, to resale. Section 251 entitles CLECs to each of these service delivery methods. MCI will decide on a case-by-case basis which method is the most efficient, cost-effective way to provide these services, and needs the same flexibility under section 251 that it needs for other local services, including traditional voice services.

A. SBC Is Not Committed to Providing Nondiscriminatory Access to Unbundled Local Loops Capable of Providing ADSL

Contrary to the SBC LECs' claim that they are committed to providing nondiscriminatory access to ADSL-capable loops, MCI's experience in trying to obtain access to the SBC LECs'

unbundled loops capable of providing xDSL services has been nothing but frustrating. There have been no productive results with any of the SBC LECs. For example, MCI was invited to participate in a trial of a spectrum management system with Pacific Bell. MCI raised some preliminary questions and concerns and, before these issues were addressed, MCI was informed that the trial was over. MCI also notes, with respect to SBC, that we have no knowledge of the "WebQual" software system the SBC LECs claim that they are using and have made available for use by other carriers. MCI was informed that the current process is "strictly manual (pencil and paper) review. One of SWBT's objectives is to develop requirements for mechanization for some of the research to include inventory and loop qualification processes."[6]

Furthermore, MCI has repeatedly requested unbundled local loops suitable for xDSL service (free of load coils and bridge taps), since November, 1997. SBC, however, has continually impeded such access by claiming that ADSL technology is being "studied" in technical trials "to determine the technical feasibility of deploying it in relationship to the physical characteristics of the loop which presently exists in SWBT's network."[7] Despite the Commission's express mandate that ILECs unbundle local loops capable of providing xDSL services,[8] SBC has informed MCI that it has no right to such loops. SBC has alleged that "MCIm's statement that the FCC requires the LEC 'to condition the loop as requested by the CLEC if it is technically feasible to so [sic] given the physical characteristics of the loop,' may

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[6] See e.g., Letter from, Marie Dillard, Director-MCI to Carol Pomponio, MCImetro, dated May 1, 1998, at 1 (SBC Letter) appended hereto as Exhibit 1.

[7] SBC Letter at 1.

[8] Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 98-96 at para. 380 (rel. Aug. 8, 1998) (Local Competition Order).

have been affected somewhat by the 8th District [sic] Rulings."[9] To the contrary, the Eighth Circuit left standing the Commission's authority to determine what elements should be available on an unbundled basis.[10] The Commission's determination that ILECs must unbundle local loops that are capable of providing xDSL and other advanced services remains in effect. Rather than comply with the Commission's order, however, the SBC LECs have used any excuse or delaying tactic to prevent competitors from providing competitive advanced services.

B. Competitors Need Access to xDSL-Equipped Local Loops and Equipment in Order to Effect Widespread Deployment of xDSL-Based Services

Like other carriers, MCI is interested in offering DSL-based services using ILEC unbundled conditioned loops and equipment to compete with the ILECs and other service providers.[11] Requiring ILECs to unbundle their local networks pursuant to the requirements of section 251 of the Act, including copper loops, subloop unbundling, operations support systems, switching elements and network capabilities such as DSL modems, to competitive carriers is a much better catalyst for local competition than a requirement that carriers build competing local loops to hundreds of thousands or millions of customers or collocate in thousands of end

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[9] SBC Letter at 1.

[10] Iowa Utilities Board v. FCC, 120 F.3d 753 (1997).

[11] MCI disagrees with the SBC LECs and other BOCs to the extent they argue that xDSL capability should be viewed as a network element separate from loops equipped with this capability. In any event, if the SBC LECs are correct that section 706 is an independent grant of regulatory authority, the mandate in this section to use "measures that promote competition in the local telecommunications market, or other regulating methods that remove barriers to infrastructure development" would empower the Commission to require such combinations notwithstanding any limitations in section 251(c)(3) as interpreted by the Eighth Circuit.

offices.[12] Such a requirement placed on CLECs to collocate in thousands of end offices to serve what might be a handful of xDSL customers from a particular end office -- is unreasonably time consuming and prohibitively expensive. Specifically, collocation requires significant up-front sunk, costs for CLECs, and collocation space is not available in every end office.

For example, CLECs should be able to obtain access, as an unbundled network element to that portion of the loop from the subscriber's premises to a DLC hub and to allow interconnection with each requesting CLEC at DLC hubs. Otherwise, MCI and others will not be able to provide xDSL service to a significant number of subscribers services by those end offices using DLC technology other than through complete reliance on the ILECs' equipment such as by resale.

Similarly, other providers should be able to interconnect at any point in the ILECs' broadband packet-switched service architecture in order to provide any element of advanced services, particularly xDSL local transport (between the subscriber's premises and the ILEC end office) and local packet transport (between the ILEC end office and the ISP). There is nothing about ADSL that requires that it be combined with the BOCs' broadband data services or networks.[13] The loop service offering, ADSL, should be separate from the broadband network. Unless these and other potential elements of the ILEC broadband packet-switched service are unbundled so that other providers can compete for any segment of that service, the ILECs will be

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[12] SBC LECs Petition at 20-21 (stating that the SBC LECs will continue to provide physical and virtual collocation).

[13] For example, the ILECs would route traffic over their data network, instead of giving CLECs the option of having data traffic routed to CLEC data networks. If it is economical for CLECs to collocate, they would prefer to interconnect with the ILEC at the central office and, after the data and voice traffic have been split, route the traffic through their own data network.

able to deter competitive entry in the market.

In areas where competitors do not have access to xDSL equipment through collocation, subscribers in those areas will be deprived of the benefits of alternative providers of xDSL services -- low rates and widespread availability of innovative services. Resale of the ILECs' xDSL services would serve an important role in facilitating competition in the advanced services market. Competition in the marketplace will lead to more rapid innovation because carriers will have the natural incentive to distinguish themselves from competing carriers by bringing new and innovative services to the market. In the end, this incentive would foster the acceleration of the advanced technology development cycle.

C. The Local Data Market is Not Competitive

The SBC LECs' try to portray the local data market as "already populated by other services offered by cable companies and telecommunications carriers" that are "at least equal to the SBC LECs' ADSL offerings in terms of speed and price."[14] To the contrary, there are no viable alternatives to the ILECs' ADSL services. The SBC LECs should not be permitted to perform mass deployment of xDSL-based services without being required to provide such service on generally available terms or offer it on a wholesale basis to any requesting carrier, pursuant to section 251. The SBC LECs would like nothing better than to establish a monopoly on xDSL technology-based solutions, which would allow them to further bundle enhanced services at the local level and lock in customers. The consequence of such dependence would be to prevent competing carriers from offering similar products or services without having to build duplicative copper facilities to customer premises or deploying an alternative access technology,

[14] SBC LEC Petition at 20.

such as fiber, wireless or coaxial cable. Contrary to the arguments made by the SBC LECs,[15] there are no viable alternatives that provide the speed, power and widespread service coverage of xDSL technology, which appears to be the most promising technology today, with major advantages over current alternatives. Cable modem technology is inferior to the service available through DSL-based capabilities.[16] For example, cable modem technology is limited in the number of customers it can serve because the cable operators provide it as a shared data service. If the SBC LECs receive their requested relief, it is clear that potential competitors and consumers will be left with no viable alternative to the DSL technology.

D. The BOCs Will Not Assume Extraordinary Risks with xDSL-Based Services

Although the SBC LECs claim that the Act results in a skewed, inequitable structure of risks and rewards,[17] the SBC LECs have not incurred, and will not incur, any substantial risks in connection with xDSL. The SBC LECs are not undertaking any greater burdens than CLECs.[18] If there is any imbalance in risk allocation, it is CLECs that bear more start-up costs and financial risk than the ILECs. In order to use their own facilities, CLECs must pay for the cost of the unbundled local loop, equipment and costs associated with installing the equipment in central offices -- where is there is space available. Estimated collocation costs to CLECs range from

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[15] SBC LEC Petition at 10.

[16] See Declaration of Glen Grochowski (appended hereto as Exhibit 2, which MCI previously filed in CC Docket Nos. 98-11, 98-26, and 98-32).

[17] SBC LEC Petition at 27.

[18] Id. at 26-27.

$100,000 to $1,000,000 per end office.[19] When there is collocation space available, the time interval for installation is often over 120 days. The ILECs, who already own the local loop and the central office, only have to decide in which central office to put their equipment -- and do not experience the lengthy delays that CLECs experience to collocate. Further, the deployment of ADSL -- by anyone -- will permit ILECs to avoid other investments that they would need to make to upgrade end offices to handle the growing number of dial-up connections to the Internet. Rather than make lump sum investments, the ILECs need only make incremental investments in response to customer demand.

CLECs obviously do not seek receive something from the ILECs without compensation. To the contrary, MCI and other CLECs are willing to pay cost-based rates that include a reasonable risk-adjusted profit. Accordingly, the ILECs will be fully compensated for use of their facilities.[20] In fact, because the Act requires that the prices be set at cost-based rates, competitors will be able to price their offerings to consumers based on efficient forward-looking cost of network elements, such as unbundled local loops, and thus will be able to drive prices to competitive levels. Some of these forward-looking costs ought to be close, if not equal to, historic costs because xDSL equipment to which CLECs would have access on an unbundled basis is new. The SBC LECs again claim that cost-based, forward-looking pricing will not give

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[19] These figures are for 400 sq. ft. collocation cages. The national average for a collocation cage is $120,000 per cage. This excludes transmission equipment, which would bring the national average to $200,000.

[20] The authorized rate of return is 11.25%. See In the Matter of Represubscribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers, CC Docket No. 89-624, FCC 90-315 (rel. Dec. 7, 1990). A return at this level is more than sufficient to protect any ILEC's investments - especially given the fact that these are small incremental investments in remote and central office ADSL equipment that can be made in response to actual demand.

them any incentive to invest in technology.[21] The Commission has already considered the economic impact of its pricing rules on the ILECs, and concluded that its "cost-based pricing methodology . . . is designed to permit incumbent LECs to receive their economic costs of providing interconnection and unbundled elements . . ."[22] Indeed, the states were explicitly authorized to establish unbundled network element prices using a risk-adjusted cost of capital reflecting particular business risks.[23]

Excessive prices charged to CLECs will only make innovative services less affordable for consumers. ISDN service, for example, while widely available, is too expensive for the majority of potential customers. This service has been available from ILECs for years. In recent years, as other carriers have begun providing this service, the prices charged to consumers by ILECs has been reduced. The Commission has already concluded that ILECs need only earn opportunity costs of capital, not monopoly, returns.[24] To allow the SBC LECs and the other ILECs to charge supracompetitive prices, as they have with ISDN services, will depress demand and will not help deployment of advanced capabilities. Congress mandated that network elements be made available to new entrants at cost-based rates precisely so that they could compete and bring the

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[21] SBC LEC Petition at 27 ("a carrier seeking unbundling of a successful innovation and investments can take exclusive control of that investment and pay no more than a cost-based rate plus a reasonable profit, 47 U.S.C. section 252 (d)(1);" Local Competition Order, ¶ 638 ("incumbent LECs argue that setting prices based on the forward-looking economic cost of the element . . . will discourage efficient entry and useful investment by both incumbent LECs and their competitors.")

[22] Local Competition Order, ¶ 697. MCI also notes that the Commission's pricing rules were stayed almost immediately after the release of the Local Competition Order.

[23] Id., at ¶ 702.

[24] Id., at ¶ 699.

benefits of cost-based prices to consumers.

IV. THE COMMISSION LACKS AUTHORITY TO GRANT FORBEARANCE UNDER SECTION 10

As SBC acknowledges, the parties have fully debated and briefed the issue of the extent of the Commission's authority under section 706.[25] Therefore, MCI will not reiterate its comments and refers the Commission to its comments filed in a prior proceeding.[26] However, suffice it to say, MCI maintains that section 706 of the Act is not an independent grant of forbearance authority.

Even if the Commission wanted to forbear, regulatory forbearance of section 251's unbundling, pricing and resale requirements is not in the public interest.[27] Forbearance is to be granted by the Commission only where it determines that the following three requirements will be satisfied: (1) enforcement of such regulation is not needed to ensure just, reasonable and nondiscriminatory practices with respect to telecommunications carriers or the service in question; (2) enforcement of such regulation is not required for consumer protection; and (3) forbearance from applying such regulation is consistent with the public interest. 47 U.S.C. § 160(a)(1)-(3).

Each of SBC's requests for forbearance should be denied based on the fact that there is no

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[25] SBC LEC Petition at 5.

[26] See e.g., Opposition of MCI Telecommunications Corporation, CC Docket No. 98-26 at 28-39 (filed April 6, 1998).

[27] The SBC LECs should not be granted forbearance from the accounting safeguards in Part 64 of the Commission's rules. The Commission has not determined whether ADSL services would be subject to Part 64 requirements, which are currently under review by the Commission. The Commission requires ILECs to unbundle local loops capable of providing ADSL services and is not likely to classify this as an unregulated service.

competition in the local market. The "threat of potential competition"[28] will not ensure that the SBC LECs' charges and practices remain just, reasonable and nondiscriminatory. Competition is at a level where the SBC LECs and other ILECs could effectively prevent competitors from providing real competitive offerings, namely by the BOCs' 706 petitions. The SBC LECs are fully aware of the fact that there are no viable alternatives to their xDSL offerings. Nor can competitors take comfort in the availability of unbundled loops and collocation when they are not being offered pursuant to safeguards set forth in section 251 of the Act. Absent open, affordable access to ILEC facilities, the ILECs will control what types of xDSL services are deployed, and at what price. For example, the SBC LECs may have the incentive to deploy, tariff, market and sell ADSL service instead of HDSL service. The SBC LECs and other ILECs are using HDSL technology to significantly reduce their costs of providing T1 services to business customers.[29] As MCI described above, competitors are having difficulties obtaining unbundled local loops capable of providing xDSL services, and collocation expense will only drive up the costs of providing advanced services.

MCI therefore strongly disagrees with the SBC LECs' claim that regulatory forbearance is in the public interest and would help speed deployment of high-speed broadband services.[30] It is not in the public interest for the Commission to forbear from enforcing key provisions of the Act targeted to opening the ILECs' local markets - both by requiring unbundling of the

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[28] SBC LEC Petition at 31.

[29] Offering unbundled HDSL-conditioned loops would undermine their profits in both large business and small business markets to the benefit of customers because potential competitors could then use HDSL to reduce their own costs for T1 services at considerably lower rates.

[30] SBC LEC Petition at 27.

incumbents' network elements and by restricting ILEC provision of in-region interLATA services until local markets are open to competition. Consistent with the Act and Commission precedent, competitors must have continued access to unbundled local loops capable of providing voice and enhanced services, combinations of elements and resold voice and enhanced services. Indeed, the very section of the Act upon which the BOCs base their current petitions states that one of the tools available to the Commission to encourage the deployment of advanced telecommunications is the use of "measures that promote competition in the local telecommunications market." 47 U.S.C. § 706(a).

Congress and this Commission got it right. Unbundling local loops capable of voice and enhanced services, preserving existing regulatory safeguards on ILECs, and opening the local market to competition is what will drive the widespread deployment of advanced telecommunications. Ensuring that xDSL-related unbundled network elements are available to competing carriers will ensure that the ILEC monopoly over the loop will not continue to harm consumers and that the full-fledged competition envisioned by Congress will be established. As a result, if the ILECs are prematurely freed from regulatory oversight, they can and will leverage their market power to ensure their dominance in broadband data and Internet access -- while retaining their local service monopoly.[31]

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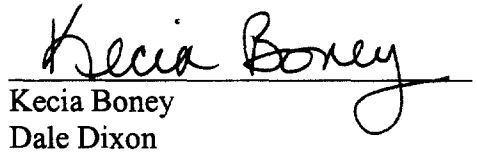
[31] Relief from section 252(i) of the Act, containing the most favored nation clause, should also be denied. SBC is essentially asking that a carrier that was not the initial party to an agreement not be permitted under section 252(i) of the Act, to sign up for the remaining term. SBC should not be excused from living up to its commitment and permitted to discriminate among CLECs. The policies of section 252(i) are separate and independent of the policies in section 706, and appropriate regard for the section 251(i) policies means that it should continue to be enforced.

CONCLUSION

For the foregoing reasons, MCI urges the Commission to deny the petition filed by the SBC LECs.

Respectfully submitted,

MCI TELECOMMUNICATIONS CORPORATION



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Dated: June 24, 1998

EXHIBIT NO. 1

DECLARATION OF GLEN GROCHOWSKI

My name is Glen Grochowski and I am employed by MCI Telecommunications Corporation as a Senior Engineer in Local Network Technology. I submit the following declaration regarding the advantages of xDSL technologies over other available technologies or network topologies.

XDSL ALLOWS DEDICATED BANDWIDTH TO CUSTOMER NOT AVAILABLE WITH OTHER TECHNOLOGIES OR NETWORK TOPOLOGIES

In their petitions, the BOCs argue that cable modems are an example of alternatives to xDSL technologies. While both technologies will provide services, in the long term the telephone network offers significant advantages that the cable network cannot offer. For example, the telephone network offers better reliability, more bandwidth, minimal costs based on an "on demand" incremental cost basis, more funds for R&D investment, more money for upgrades, and more players and competitors.

Further, that cable operators have a much smaller customer base -- by about 33 percent -- than the telephone companies is a fact that should not be overlooked. If the cable operators do not possess the customers at this point, the chance of that customer base growing significantly is unlikely. A recent article explained cable market penetration.[1] Cable operators state that they plan to have a 20-30 million customer penetration of high speed data services by 1999; however, such a plan is very aggressive, particularly considering the competitive market of high speed data services and cable's current 1 percent penetration in that market.

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[1] Michael Arellano, *Gentlemen, Start Your Engines*, Tele.Com, March 1998, at 45-46.

The dedicated bandwidth of xDSL technologies applied to copper loops to individual premises or users is unavailable with any other technology or network topology available on the market today or planned for the future. For example, using ADSL technology applied to a copper loop, an ILEC can deliver a 6 Mbps downstream and 640 Kbps upstream data service to a customer. This ADSL transmission facility is dedicated to the customer. Each customer can therefore receive this service bandwidth if they are within a certain loop distance from the Central Office.

Due to the nature of the cable plant and the available bandwidth, cable modem technology required to deliver a similar service to a customer provides bandwidth that is shared across multiple customers. In order to dedicate a 6 Mbps downstream and 640 Kbps upstream data service to each cable modem subscriber, a typical US cable plant would only be able to support approximately 75 subscribers. This limitation is due to the fact that the upstream return path on the cable network is limited to 5-42 MHZ and most cable modem systems on the market are capable of a 768 Kbps upstream data rate over 600 Khz. Most cable networks are built to 500-1000 homes per upstream node today. In order to deliver a dedicated quality of service, the cable network would have to be rebuilt with much smaller node sizes to take advantage of dedicated bandwidth cable modem solutions. As a result, cable operators are offering a shared data service, not dedicated. In a shared environment, a cable modem subscriber could receive a full 10 Mbps downstream and upstream service if he were the only subscriber on the system. However as additional subscribers also use the service, the net bandwidth available per customer declines, even with the statistical multiplexing available with packet data services.

The same case of inability to deliver the same bandwidth as xDSL exists with satellite-based service delivery options. For example, the DirecPC Turbo Internet service from

Hughes broadcasts 12 Mbps of data from the satellite to its pool of customers and uses an analog telephony modem return path for the individual upstream data channels that is limited to 33.6 Mbps. With this satellite-based data service, there is no way to match the dedicated speed available via ADSL technology.

As can be seen from these points and examples, MCI is not presented with any attractive technology options for broadband service delivery that can match the speed and power and widespread service coverage as xDSL. In addition xDSL technology can be used by MCI to offer competitive access services such as T-1, fractional T-1, NxT1, and multiple voice line services over a single pair, just as the ILECs do today with xDSL technologies applied to their copper loops.

4/3/98

Glen Grochowski
Senior Engineer
MCI, Local Network Technology

Subscribed and sworn to
before me this 3rd day of April, 1998.

Tammy D. Myers
NOTARY PUBLIC

NOTARY PUBLIC STATE OF TEXAS
TAMMY D. MYERS
Notary Public, State of Texas
My Commission Expires 11-21-98

EXHIBIT NO. 2